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**K I L E M B E**


**COPPER COBALT LTD.**



**annual report**

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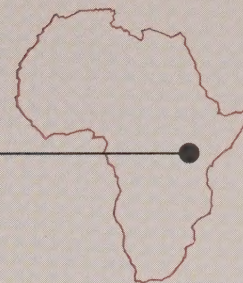
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# KILEMBE

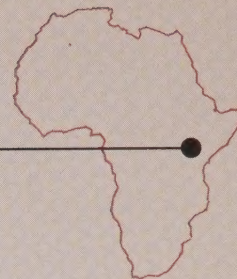
COPPER COBALT LTD.



## REVIEW IN BRIEF

	<u>1969</u>	<u>1968</u>
Tons milled . . . . .	1,080,002	1,021,578
Tons direct smelted . . . . .	5,570	5,592
Total tons treated . . . . .	1,085,572	1,027,170
Grade ore milled %		
Copper . . . . .	1.93	1.85
Blister copper produced — long tons . . . . .	16,310	15,351
Sales of metals . . . . .	\$26,773,000	\$20,641,000
Operating profit . . . . .	\$11,830,000	\$ 6,579,000
Net earnings . . . . .	\$ 4,395,000	\$ 2,426,000
Earnings per share . . . . .	\$1.13	\$ .62
Average selling price, cop- per per pound . . . . .	73.3¢	60.4¢





**HEAD OFFICE** 7 King Street East, Toronto, Canada

<b>OFFICERS</b>	G. T. N. WOODROOFFE	-	-	-	-	President
	G. P. MITCHELL	-	-	-	-	Vice-President
	A. C. CALLOW	-	-	-	-	Secretary
	J. T. McWHIRTER	-	-	-	-	Treasurer
	J. D. KRANE	-	-	-	-	Controller

<b>DIRECTORS</b>	E. L. HEALY	J. T. McWHIRTER
	G. P. MITCHELL	J. R. SMITH
	G. T. N. WOODROOFFE	

<b>TRANSFER AGENTS AND REGISTRARS</b>	CROWN TRUST COMPANY
	302 Bay Street, 393 St. James St. West
	Toronto, Ontario Montreal, Quebec

REGISTRAR AND TRANSFER COMPANY  
140 Cedar Street - - - New York 7, N.Y.

<b>BANKERS</b>	CANADIAN IMPERIAL BANK OF COMMERCE
	Toronto, Ontario

<b>AUDITORS</b>	CLARKSON, GORDON & Co., Toronto, Ontario
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<b>SOLICITORS</b>	TILLEY, CARSON & FINDLAY - Toronto, Ontario
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<b>KILEMBE MINES</b>	Head Office, Kilembe, Uganda
	Chairman of the Board and
	Managing Director - - - A. E. PUGSLEY

**ANNUAL MEETING OF SHAREHOLDERS**

Thursday, April 2, 1970 at 10.30 a.m. (E.S.T.)  
Elizabeth Room, King Edward Sheraton Hotel  
Toronto, Canada



## REPORT OF THE DIRECTORS

### TO THE SHAREHOLDERS:

Consolidated earnings of your Company and its subsidiary, Kilembe Mines Limited, increased to \$4,394,604 or \$1.13 per share from \$2,426,179 or 62 cents per share in 1968.

The increase in tonnage of blister copper produced and the higher price received for copper, which averaged the equivalent of 73 cents per pound Canadian compared to 60 cents Canadian in 1968, were the principal factors contributing to the increase in earnings for the year. All copper was sold on the basis of the London Metal Exchange average monthly selling price.

Due to the larger tonnage treated, there was a small increase in total production costs over those of the previous year but there was a slight decrease in the cost per ton of ore treated and the cost per ton of blister copper produced.

Dividends totalling 75 cents per share were paid during the year compared to 60 cents per share in 1968.

Working capital at year end increased by \$1,874,406 to \$4,694,889 compared to \$2,820,483 for the prior year. U.S. dollar fixed deposits held by the parent company totalled \$3,800,000.

### TAXES

During the year the Uganda Government made a change in the application of the copper export tax and ceased to allow as a deduction from the tax prospecting expenditures. This together with the higher average price received for copper caused a substantial increase in the provision for the tax.

### PRODUCTION

#### Mining

Mining efficiencies again improved. Ore delivered from the mine totalled 1,100,524 short tons, an increase of 72,321 short tons over the previous year.

#### Milling

Ore milled increased by 58,424 tons to 1,080,002 tons grading 1.93% copper up from 1.85% copper in the prior year. Recovery of copper in concentrates also showed a slight improvement.

The benefits of the closed circuit installed in the secondary crushing section of the plant in 1968 were apparent when ore deliveries increased. It is indicated that the concentrator throughput can be in the order of 97,000 to 98,000 short tons per month.

#### Smelting

There were no serious operating problems at the smelter. Blister copper production increased by 6% to 16,310 long tons.



### ORE RESERVES

Ore reserves at year end were as follows:

	1969		1968	
	Tons	% Copper	Tons	% Copper
Proved .....	4,569,000	1.89	4,892,000	1.92
Probable .....	1,440,000	2.07	1,274,000	2.34
	<u>6,009,000</u>	<u>1.93</u>	<u>6,166,000</u>	<u>1.99</u>

In addition, it is estimated there are 2,520,000 tons of possible ore grading 1.79% copper (1968 — 1,846,000 tons of 1.97% copper). Ore mined during the year totalled 1,112,000 tons.

### EXPLORATION AND DEVELOPMENT

Underground and surface diamond drilling in all areas totalled 96,550 feet compared with 92,985 feet in the prior year.

Development work in all classes amounted to 39,448 feet compared with 50,711 feet in 1968. Progress in all phases of this work was satisfactory.

A new ore deposit was located in the Namhuga area some 4,000 feet southeast of the main mine. Work on this new deposit will be intensified and should result in an addition to the ore reserves.

### CAPITAL EXPENDITURES

The expenditures on construction and replacement of fixed assets which are summarized below were \$305,041 less than in the prior year:

Mining and milling equipment .....	\$ 900,922
Housing and amenities .....	554,172
General equipment and buildings .....	293,317
	<u>\$1,748,411</u>

### EXPENDITURES IN UGANDA

Cash expenditures by Kilembe Mines Limited for operating and capital account during 1969 totalled U.£4,553,900 (\$13,661,700) of which expenditures in Uganda were as follows:

Wages .....	U.£ 1,562,850	\$ 4,688,550
Purchases from local suppliers and contractors ...	1,798,250	5,394,750
Payments to Government agencies for electricity, freight, telephone, licences, etc. ....	489,350	1,468,050
	<u>U.£ 3,850,450</u>	<u>\$11,551,350</u>

In addition Uganda taxes and royalty amounted to \$4,013,837 an increase of \$2,734,415 more than in the prior year.



## PERSONNEL

The dearth of technically trained Ugandans continued through 1969 as very few secondary school graduates are inclined to take up a career in mining. There was a further improvement in labour turnover which in the underground labour force amounted to 16.8%.

Mr. M. D. Cruickshanks has been appointed General Manager of Kilembe Mines Limited. Mr. A. E. Pugsley continues as Chairman and Managing Director.

## GENERAL

During the year research studies were continued in an effort to establish the feasibility of extracting cobalt from the pyrite cobalt residues which are being stockpiled.

The Uganda Development Corporation Limited, a corporation owned by the Uganda Government, has requested that Kilembe Copper Cobalt Ltd. sell to the Corporation 50% of its shares in Kilembe Mines Limited. Negotiations are now being carried on with the corporation in an endeavour to reach an agreement which will be satisfactory to both parties.

## ACKNOWLEDGMENT

Your directors wish to express their appreciation to the management, staff and employees for their contribution to the successful performance during 1969.

On behalf of the Board,

G. T. N. WOODROOFFE,  
President.

Toronto, Ontario,  
February 19, 1970.

# KILEMBE

COPPER COBALT LTD.

(Incorporated under the laws of Canada)

AND ITS SUBSIDIARY

## KILEMBE MINES LIMITED

(Incorporated under the laws of Uganda)

## CONSOLIDATED BALANCE

	1969	1968
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash .....	\$ 1,872,251	\$ 903,472
Short term deposit .....	4,085,000	3,225,000
Metal settlements receivable (note 2) .....	2,112,283	1,592,120
Accounts receivable .....	389,657	345,649
Copper on hand and in process (note 2) .....	203,248	275,811
Total current assets .....	<u>8,662,439</u>	<u>6,342,052</u>
<b>FIXED AND INTANGIBLE ASSETS:</b>		
Mining concessions, at cost, less accumulated amortization ....	1	1
Plant and equipment, at cost .....	29,331,067	27,633,078
Less accumulated depreciation .....	21,096,117	19,458,270
	<u>8,234,950</u>	<u>8,174,808</u>
Materials and supplies, at average cost .....	3,838,860	4,030,312
	<u>\$20,736,250</u>	<u>\$18,547,173</u>

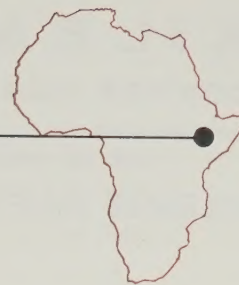
## AUDITORS

To the Shareholders of  
Kilembe Copper Cobalt Ltd.:

We have examined the consolidated balance sheet of Kilembe Copper Cobalt Ltd. and its subsidiary, Kilembe Mines Limited, as at December 31, 1969 and the statements of consolidated earnings and retained earnings and source and application of consolidated funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,  
January 29, 1970.





## HEET — *DECEMBER 31, 1969*

### LIABILITIES

	1969	1968
CURRENT:		
Accounts payable and accrued charges .....	\$ 1,188,176	\$ 1,433,227
Provision for leave pay and passages .....	297,951	242,041
Provision for Uganda mining royalties (note 3) .....	370,796	101,733
Provision for Uganda copper export taxes and income taxes (note 3) .....	2,110,627	1,744,568
Total current liabilities .....	3,967,550	3,521,569
Minority shareholders' interest in subsidiary company (30%) .....	3,772,977	3,516,715
SHAREHOLDERS' EQUITY:		
Capital —		
Authorized: 5,000,000 shares of par value \$1.00 each		
Issued: 3,877,027 shares .....	3,877,027	3,877,027
Contributed surplus .....	8,193,887	8,193,887
	12,070,914	12,070,914
Retained earnings (deficit) .....	924,809	(562,025)
	12,995,723	11,508,889
On behalf of the Board:		
G. T. N. WOODROOFFE, Director.		
J. T. McWHIRTER, Director.		
	\$20,736,250	\$18,547,173

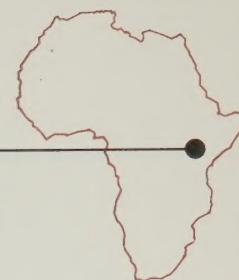
(See notes to consolidated financial statements)

## REPORT

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,  
Chartered Accountants.





AND ITS SUBSIDIARY  
**KILEMBE MINES LIMITED**

**STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS**  
**For the Year Ended December 31, 1969**

	1969	1968
Revenue from metal production .....	\$26,773,536	\$20,640,921
Deduct transportation, refining and selling expenses .....	1,463,465	1,538,427
Net revenue from metal production .....	<u>25,310,071</u>	<u>19,102,494</u>
OPERATING AND ADMINISTRATION COSTS:		
Development, mining, milling, smelting and mine office administration .....	13,411,844	12,462,196
Parent company administration .....	67,944	61,036
	<u>13,479,788</u>	<u>12,523,232</u>
Operating profit before the undernoted items .....	11,830,283	6,579,262
Depreciation .....	1,637,847	1,653,470
Prospecting and exploration expenses .....	301,528	366,681
	<u>1,939,375</u>	<u>2,020,151</u>
Operating profit .....	<u>9,890,908</u>	<u>4,559,111</u>
OTHER INCOME (EXPENSE):		
Interest (net) .....	295,614	207,782
Foreign exchange .....	15,642	(71,397)
	<u>311,256</u>	<u>136,385</u>
Profit before Uganda mining royalties, copper export taxes and income taxes .....	10,202,164	4,695,496
Provision for Uganda mining royalties, copper export taxes and income taxes (note 3) .....	4,013,837	1,279,422
Profit before minority shareholders' interest .....	6,188,327	3,416,074
Less minority shareholders' interest in profit of subsidiary .....	1,793,723	989,895
Earnings for the year (note 3) .....	4,394,604	2,426,179
Deficit, beginning of year .....	562,025	661,988
	<u>3,832,579</u>	<u>1,764,191</u>
Deduct dividends paid of \$0.75 per share (1968 — \$0.60) .....	2,907,770	2,326,216
Retained earnings (deficit), end of year .....	<u>\$ 924,809</u>	<u>\$ (562,025)</u>

(See notes to consolidated financial statements)



**STATEMENT OF SOURCE AND APPLICATION OF CONSOLIDATED FUNDS**  
**For the Year Ended December 31, 1969**

	<u>1969</u>	<u>1968</u>
<b>FUNDS PROVIDED:</b>		
From operations —		
Profit for the year before minority interest .....	\$6,188,327	\$3,416,074
Add depreciation, a charge to operations which itself did not require a current outlay of cash:		
Depreciation .....	1,637,847	1,653,470
	<u>7,826,174</u>	<u>5,069,544</u>
Decrease in inventory of materials and supplies .....	191,452	426,788
	<u>8,017,626</u>	<u>5,496,332</u>
<b>FUNDS APPLIED:</b>		
Purchase of fixed assets (net) .....	1,697,989	1,819,596
Dividends paid to minority shareholders of Kilembe Mines Limited	1,537,461	1,539,000
Dividends paid to shareholders .....	2,907,770	2,326,216
	<u>6,143,220</u>	<u>5,684,812</u>
Excess of funds provided over funds applied (funds applied over funds provided) during the year .....	1,874,406	(188,480)
Working capital, beginning of year .....	2,820,483	3,008,963
Working capital, end of year .....	<u>\$4,694,889</u>	<u>\$2,820,483</u>

(See notes to consolidated financial statements)





**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 1969**

**1. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Kilembe Mines Limited (incorporated under the laws of Uganda) which is 70% owned and is the only company in which Kilembe Copper Cobalt Ltd. has a material direct or indirect interest.

Most of the income of Kilembe Mines Limited has been received in U.S. dollars and the expenditures have been incurred in pounds sterling or in Uganda currency. Assets and liabilities and revenues and expenses in currencies other than Canadian dollars are translated into Canadian funds on the following basis:

Fixed and intangible assets and share capital	At the rates of exchange prevailing when the transactions giving rise to such items occurred.
Accumulated provisions for depreciation and amortization	At rates of exchange based on those prevailing when the expenditures on the related fixed and intangible assets were made.
Other assets and liabilities	At the closing rates of exchange prevailing at the end of the year.
Revenues and expenses other than depreciation and amortization	At the average of monthly rates of exchange in effect during the year.
Provisions for depreciation and amortization	At the rates of exchange prevailing when the expenditures on the related fixed and intangible assets were made.

**2. INVENTORY OF COPPER**

Copper on hand and in process consists of copper concentrates in process of production between the mill and the completion of the smelter operation. Inventories of copper concentrates are priced at the lower of cost or estimated realizable value, the latter based on the delivered price of refined copper less transportation, refining, selling and smelting costs. Blister copper produced by the smelter is sold under contract, and is recorded as produced in "metal settlements receivable" at estimated realizable value.

**3. UGANDA MINING ROYALTIES, COPPER EXPORT TAXES AND INCOME TAXES**

Kilembe Copper Cobalt Ltd. is exempt from payment of Canadian income tax while it maintains its status as a "foreign business corporation" under the provisions of the Income Tax Act (Canada).

The provision for Uganda mining royalties, copper export taxes and income taxes consists of:

	1969	1968
Provision for mining royalties	\$ 368,832	\$ 102,942
Provision for copper export taxes	1,870,095	112,080
Provision for income taxes	1,774,910	1,064,400
	<u>\$4,013,837</u>	<u>\$1,279,422</u>

4. A formal request was received during the year from the Uganda Development Corporation Limited, a corporation owned by the government of Uganda, that the company sell to the corporation 50% of its holdings in Kilembe Mines Limited. The corporation has requested that discussions commence as soon as possible.

**5. STATUTORY INFORMATION**

Expenses in the statement of consolidated earnings and deficit include remuneration of directors and senior officers of \$9,006 in 1969 and \$8,573 in 1968.



# TEN-YEAR REVIEW (IN THOUSANDS)

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Ore Reserves (long tons)	6,009,000	6,166,000	6,597,000	6,453,000	6,466,000	6,873,000	6,627,000	7,262,000	7,675,000	8,001,000
Ore treated (short tons)	1,085,572	1,027,170	962,003	1,039,522	1,039,600	996,898	993,402	982,639	920,078	898,248
Grade of ore milled . . .	1.93	1.85	1.91	1.91	1.96	2.17	2.13	1.99	1.86	2.12
Blister copper produced (long tons) . . . . .	16,310	15,351	14,198	15,844	16,870	17,971	15,960	15,331	13,163	14,515
Sales . . . . .	\$26,773,000	\$20,641,000	\$17,927,000	\$21,927,000	\$27,312,000	\$19,184,000	\$11,179,000	\$10,925,000	\$ 8,458,000	\$ 9,509,000
Operating profit . . . . .	\$11,830,000	\$ 6,579,000	\$ 5,027,000	\$ 9,474,000	\$15,981,000	\$ 9,257,000	\$ 3,131,000	\$ 3,220,000	\$ 2,358,000	\$ 3,300,000
Earnings . . . . .	\$ 4,395,000	\$ 2,426,000	\$ 599,000	\$ 3,435,000	\$ 7,251,000	\$ 4,156,000	\$ 263,000	\$ 191,000	\$ (594,000)	\$ 283,000
Earnings per share . . . .	\$1.13	\$ .62	\$ .15	\$ .89	\$1.87	\$1.07	\$ .07	\$ .05	\$ (.15)	\$ .07
Capital expenditures . . .	\$ 1,748,000	\$ 2,053,000	\$ 1,407,000	\$ 2,531,000	\$ 2,954,000	\$ 1,902,000	\$ 890,000	\$ 772,000	\$ 426,000	\$ 1,376,000
Working capital . . . . .	\$ 4,695,000	\$ 2,820,000	\$ 3,009,000	\$ 2,585,000	\$ 3,235,000	\$ 1,171,000	\$ 2,063,000	\$ 1,644,000	\$ 2,216,000	\$ 2,030,000
Average copper price per pound . . . . .	73¢	60.4¢	56¢	64.4¢	7.5¢	47.2¢	31.7¢	31.8¢	29.2¢	28.8¢











